

Message Text

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ORIGIN AID-05

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R 052001Z AUG 75

FM SECSTATE WASHDC

TO AMEMBASSY ASUNCION

AMEMBASSY BOGOTA

AMEMBASSY BRASILIA

AMEMBASSY BRIDGETOWN

AMEMBASSY BUENOS AIRES

AMEMBASSY CARACAS

AMEMBASSY GUATEMALA

AMEMBASSY KINGSTON

AMEMBASSY LA PAZ

AMEMBASSY LIMA

AMEMBASSY MANAGUA

AMEMBASSY MEXICO

AMEMBASSY MONTEVIDEO

AMEMBASSY PANAMA

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AMEMBASSY SAN JOSE

AMEMBASSY SAN SALVADOR

AMEMBASSY SANTIAGO

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INFO AMEMBASSY BELGRADE

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AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY THE HAGUE

AMEMBASSY LONDON
AMEMBASSY MADRID
AMEMBASSY OTTAWA
AMEMBASSY ROME
AMEMBASSY TEL AVIV
AMEMBASSY TOKYO
AMEMBASSY VIENNA

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E.O. 11652: N/A

TAGS: EAID, EFIN, IDB, XR

SUBJECT: INTER-AMERICAN DEVELOPMENT BANK REPLENISHMENT

REFS: A) STATE 172340; B) STATE 173825

FROM ASSISTANT SECRETARY ROGERS

1. SUMMARY - THIS MESSAGE AMPLIFIES THE INSTRUCTION CONTAINED IN PARAGRAPH 8 OF REFTEL A, REQUESTING LATIN AMERICAN MEMBER NATION EMBASSIES TO SEEK AN OPPORTUNITY TO DISCUSS THE IDB REPLENISHMENT PROPOSAL WITH FINANCE MINISTERS. YOU WILL WISH TO REPORT THE EARLY AND POSITIVE INITIATION OF THE U.S. LEGISLATIVE PROCESS REPORTED PARAGRAPH 2 BELOW, AND SHOULD INVITE THEIR GOVERNMENTS' SIMILARLY PROMPT ACTION TO IMPLEMENT THE AGREEMENT FOR REPLENISHMENT OF THE IDB'S RESOURCES FOR THE PERIOD 1976-9. YOU MAY, AS APPROPRIATE, ALSO CITE OUR VIEWS ON PROGRESS TOWARDS EXPANSION OF BANK MEMBERSHIP AND APPROVAL OF IDB LENDING TO THE CARIBBEAN DEVELOPMENT BANK FOR RELENDING TO NON-IDB MEMBERS. I WOULD LIKE A CABLED REPORT OF GOVERNMENT RESPONSE AND, PARTICULARLY, YOUR EXPECTATIONS AS TO TIMING OF THE NECESSARY RATIFICATION AND APPROPRIATION ACTIONS. END SUMMARY.

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2. ON JULY 29, THE SUBCOMMITTEE ON INTERNATIONAL DEVELOPMENT INSTITUTIONS AND FINANCE OF THE HOUSE BANKING AND CURRENCY COMMITTEE HELD THE FIRST U.S. HEARINGS ON THE PROPOSED U.S. LEGISLATION IN SUPPORT OF THE REPLENISHMENT. WE ARE FORWARDING TO LATIN AMERICAN POSTS BY AIRGRAM THE STATEMENTS PRESENTED BY SECRETARY OF THE TREASURY SIMON, DEPUTY ASSISTANT SECRETARY OF THE

TREASURY BUSHNELL, AND MYSELF, IN ADDITION TO SELECTED TABLES INCLUDING COUNTRY-BY-COUNTRY CONTRIBUTION DATA. OUR STATEMENTS STRESS THE NEED FOR PROMPT CONGRESSIONAL APPROVAL. I AM PLEASED TO REPORT THAT THE SUBCOMMITTEE'S RESPONSE WAS GENERALLY FAVORABLE, AND THAT MOST MEMBERS'

QUESTIONS WERE DESIGNED TO SOLICIT INFORMATION WHICH WOULD HELP THEM ANSWER QUESTIONS FROM CONSTITUENTS OR FROM OTHER MEMBERS OF CONGRESS AS TO THE APPROPRIATENESS AND SUFFICIENCY OF U.S. INTEREST IN THE IDB WHICH WOULD WARRANT AUTHORIZATION OF THE DOLS. 2.-5 BILLION REQUESTED AND THE APPROPRIATION OF THE INITIAL CASH CONTRIBUTIONS. YOU MAY CONVEY THE HOPE OF THE U.S. EXECUTIVE BRANCH THAT CONGRESS WILL AUTHORIZE THE NEW REPLENISHMENT AND ACT ON THE IDB CHARTER AMENDMENTS BY THE END OF CY 1975. YOU MAY

ALSO STATE THE EXECUTIVE BRANCH IS SEEKING APPROPRIATION DURING FY 1975 OF BOTH THE FIRST INCREMENT OF THE PROPOSED U.S. CASH CONTRIBUTION TO INTER-REGIONAL CAPITAL AND THE DOLS. 275 MILLION FSO REMAINING FROM OUR 1970

PLEDGE, AND THAT WE ARE SEEKING TO HAVE REMOVED THE REQUIRED QTE EARMARKING UNQTE OF DOLS 50 MILLION OF FSO FUNDS APPROPRIATED LAST SPRING. THESE EFFORTS ARE CONSISTENT WITH SECRETARY KISSINGER'S VIEWS EXPRESSED IN HOUSTON IN MARCH. THE U.S. IS THUS SUSTAINING ITS SPECIAL COMMITMENT OFFICIAL RESOURCE FLOWS TO LATIN AMERICA. YOU SHOULD URGE MEMBER GOVERNMENTS TO ACT EQUALLY PROMPTLY.

3. FR ARGENTINA, BRAZIL, MEXICO, TRINIDAD AND TOBAGO, AND VENEZUELA: WE SHOULD EXPRESS APPRECIATION OF THE LIMITED OFFICIAL USE LIMITED OFFICIAL USE

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EFFORTS THEY HAVE AGREED TO UNDERTAKE TO HELP BROADEN THE FINANCIAL BASE OF THE BANK AND TO CONSERVE ITS CONCESSIONAL FUNDS FOR THE NEEDIEST NATIONS. IT IS APPROPRIATE FOR US TO ACKNOWLEDGE WARMLY THE COMMITMENT OF TRINIDAD AND TOBAGO AND VENEZUELA TO MAKE 100 PERCENT OF THEIR CONTRIBUTIONS TO THE FUND FOR SPECIAL OPERATIONS CONVERTIBLE. -WE RECOGNIZE THE EFFORT REPRESENTED BY ARGENTINA, BRAZIL, AND MEXICO TO MAKE 25 PERCENT OF THEIR FSO CONTRIBUTIONS CONVERTIBLE AND TO REFRAIN FROM BORROWING CONCESSIONAL DOLLARS DURING THE REPLENISHMENT PERIOD. THIS IS THE FIRST TIME SINCE THE BANK WAS ORIGINALLY SET UP THAT ANY CONVERTIBLE CONTRIBUTIONS HAVE BEEN MADE BY LATIN AMERICAN MEMBERS OR THAT MEMBERS HAVE AGREED TO LIMIT FOR A PERIOD THEIR DOLLAR BORROWING TO ORDINARY CAPITAL RESOURCES. YOU MAY OBSERVE THAT, IN RECOGNITION OF THE EFFORT MADE BY THESE FIVE

COUNTRIES, THE U.S. CAPITAL CONTRIBUTION HAS BEEN REQUESTED AT A LEVEL OF DOLS. 450 MILLION MORE THAN INITIALLY PLANNED TO HELP THE BANK RESPOND TO THEIR LEGITIMATE ORDINARY CAPITAL NEEDS.

4. WE SHARE THE INTEREST OF THE LATIN AMERICANS IN COMPLETING THE APPROVAL OF ADMISSION OF THE BAHAMAS AND GUYANA AND PERMITTING IDB LENDING TO THE CARIBBEAN DEVELOPMENT BANK FOR RELENDING TO NON-IDB MEMBERS. IN REVIEWING THIS COMMON INTEREST, YOU MAY STATE THAT THE SUBCOMMITTEE MEMBERS AT THE JULY 29 HEARING SEEMED TO HAVE NO SERIOUS PROBLEMS WITH THESE PROPOSALS.

5. ALL POSTS MAY INDICATE THAT THE SUBCOMMITTEE SEEMED TO SUPPORT THE DESIRABILITY OF APPROVING THE ADMISSION OF NON-REGIONAL MEMBERS. IN FACT, SEVERAL MEMBERS EXPRESSED INTEREST IN EXTENDING THE PRINCIPLE OF NON-REGIONAL MEMBERS' SUPPORT TO OTHER REGIONAL FINANCIAL INSTITUTIONS.

6. I WOULD APPRECIATE A CABLE REPORT TF REACTIONS TO YOUR DISCUSSION OF THESE MATTERS AND INFORMATION YOU MAY OBTAIN AS TO THE RATIFICATION AND APPROPRIATION PLANS. KISSINGER

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